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INTERNATIONAL Herald Tribune

LONDON, SATURDAY-SUNDAY, APRIL 11-12, 1992

Table with exchange rates and other financial data.

2d Thoughts In Congress On Defense Cancellations

By Eric Schmitt. WASHINGTON—After pressing the Bush administration to make deeper cuts in military spending after the Cold War, Congress is now having second thoughts about immediately cancelling such costly weapons as nuclear-powered submarines and fighter jets.

Fewer Praises For 2 Weapons Used in Gulf

By Barton Gellman. WASHINGTON—Two of the most celebrated weapons of the Gulf War, the air force F-117A Stealth attack jet and the navy Tomahawk cruise missile, struck considerably fewer of their targets than military officials have asserted publicly, according to the most recent classified analysis.

Yeltsin Outsmarts Opposition to Win Vote on Treaty

By Eleanor Randolph. MOSCOW—President Boris N. Yeltsin and his supporters Friday outmaneuvered the opposition in the Congress of People's Deputies by winning a sudden and crucial vote on a new federal treaty that gives the Russian president the power to block any Soviet-like disintegration of the republic.

London Bombings Kill at Least 2, Wound 30

LONDON—At least two people were killed and more than 30 were wounded in a series of explosions Friday that rocked the heart of London's financial district, Scotland Yard said.

There was a report of a car or van explosion, with a large white van believed to have been at the center of one blast.

Northern Ireland, had not claimed responsibility for the blasts. But the IRA has claimed responsibility for other recent bombing incidents in London, mainly directed at rail lines.

The IRA, fighting to drive out Britain from Northern Ireland, had not claimed responsibility for the blasts. But the IRA has claimed responsibility for other recent bombing incidents in London, mainly directed at rail lines.



Prime Minister John Major, basking in his come-from-behind election victory, greeted supporters and the press on the steps of No. 10 Downing Street on Friday afternoon.

The Tory Victory: Riding Cross-Currents in Europe

By Craig R. Whitney. LONDON—At first glance, the surprise victory for Prime Minister John Major's Conservative Party in Britain seems to go against the grain of other recent European elections.

Yet in Britain, mired in the longest recession since the 1930s, Mr. Major managed the fourth straight Conservative victory since 1979 against the opposition Labor Party, despite a complete Labor transformation from the leftist fringes a decade ago to the solid middle ground.

In this respect, the British result seemed consistent with setbacks to President François Mitterrand's Socialists in France in last month's regional elections, and to both the former Communists and Socialists in last Sunday's national elections in Italy.

The pollsters have been reporting for months that voters were in an angry mood in the midst of a recession the government seemed unable to cure, and that large numbers of them were going to switch support from the Conservatives to Labor.

Kiosk Bush Tells Aides to Avoid 'Sleaze'

WASHINGTON (AP)—President George Bush said Friday that he had ordered Republican political operatives to "stay out of the sleaze business."

African Titans' Reconciliation Nigeria Trip Augurs Wider Approval of de Klerk

ABUJA, Nigeria—South Africa and Nigeria, two giants of sub-Saharan Africa estranged by decades of apartheid, have buried their differences here in a meeting that signaled formal African recognition that the reform process in South Africa has become irreversible.

General Babangida said Nigerians greatly admired Mr. de Klerk's courage and compared the South African to various black leaders, including Steve Biko, Archbishop Desmond M. Tutu and Nelson Mandela, who he said had all "blazed the trail toward racial harmony" in South Africa.

As 'Strength' Backfires, Nail-Biting Over Nikkei Stocks Rally, Uncertainty Remains

TOKYO—Tomorrows? Will it never stop? That question, flashed in bold letters on a Japanese television news broadcast, summed up the mounting worry here this week over the downward spiral in the Tokyo stock market.

That could inflict severe financial damage overseas as well as at home. "It's premature to call this panic selling, but it has taken one step closer to that," said Mineko Sasaki-Smith, senior economist at Credit Suisse Japan, before Friday's advance.

A grid of small advertisements and notices at the bottom of the page, including 'Crossword Weather' and 'Page 6'.

'Junior Partner' of West? Some Ex-Soviets Bridle

By Fred Hiatt
Washington Post Service
MOSCOW — In the Grand Palace at the heart of the Kremlin, a legislator from Rostov took to the microphone to voice his wounded pride.

state councilor on political affairs, recently wrote that it would be "senseless and absurd to put the Atlantic tuxedo and bow tie on the broad-shouldered Russian peasant."

English fluently, does not represent the Yeltsin administration as a whole on this issue, nor do the anti-Western legislators necessarily speak for a majority.

He added, in reference to the aid plan: "In terms of its scale and international significance, this program is only comparable to the Marshall Plan, which paved the way for Western Europe's economic revitalization after World War II."

Others say it is foolish to think that Washington really wants a strong Russia. Mr. Yeltsin's vice president, Alexander Rutskoi, recently likened Western aid to "free cheese in the mousetrap."

While President Boris N. Yeltsin of Russia has appealed to the West for huge amounts of aid and instruction in the passage from communism to free market, an undercurrent of resentment and opposition to Western influence has steadily gained strength.

Russian Reassures U.S. on N-Arms

BRUSSELS — General Colin L. Powell said Friday that he had received fresh assurances that the thousands of nuclear weapons amassed by the former Soviet Union remained under "solid control" in its successor nations.

On Thursday, the 16 nations of the North Atlantic Treaty Organization expressed their "serious" concerns to Russia and Ukraine about the suspension of shipments of the short-range nuclear arms to Russia.

Bosnian Pleads for Aid Against Serb Attack

By Chuck Sudetic
New York Times Service
SARAJEVO, Bosnia-Herzegovina — As this newborn republic slipped deeper into chaos, its president, Alija Izetbegovic, appealed Friday for international intervention to halt what he condemned as Serbian aggression against his republic.

He appealed to Serbia's president, Slobodan Milosevic, and the pro-Serb Yugoslav Army's chief of staff, General Blagoje Adzic, to rein in Serbian guerrillas. They were threatening to open fire on 3,000 people who have taken shelter in a Turkish-era fortress near the mostly Muslim Slav town of Zvornik.

WORLD BRIEFS

Mitterrand Seeks Constitutional Shift

PARIS (Reuters) — President François Mitterrand, seeking to reimpose his authority, will go on television Sunday to discuss constitutional changes needed to ratify the Maastricht treaty on European union.

West's China Rights Effort Lamented

BEIJING (Reuters) — Western efforts to establish a dialogue with China on human rights have stalled, Foreign Minister Gareth Evans of Australia said Friday. Asked why the process had halted, Mr. Evans said, "Maybe China is more confident of its place in the world."

Rebel Kurds Expect Saddam Retreat

SALAH AD DIN, Iraq (Reuters) — Kurdish rebels said Friday that they were confident President Saddam Hussein would bow to Western pressure and start pulling back his troops from northern Iraq within 48 hours.

Parliamentary Voting Starts in Iran

TEHRAN (Reuters) — Iranians voted Friday in a general election that could give President Hashemi Rafsanjani the comfortable majority he needs to counter his radical rivals.

Attacks Kill at Least 55 in Sri Lanka

COLOMBO (Reuters) — Suspected Tamil rebels killed at least 35 civilians in two bomb attacks and 20 government soldiers in ambushes on Friday, Sri Lankan military and police officials said.

To Our Readers

Because of a mechanical error, pages in some late editions Friday were not transmitted with complete updated news articles. The Herald Tribune regrets the error.

TRAVEL UPDATE

The U.S. State Department is warning Americans to defer all nonessential travel to Angola because of violent crime there, and is advising Americans in Nepal to travel with caution there after recent anti-government demonstrations in Kathmandu and other cities.

The Weather

Forecast for Sunday through Tuesday. Includes maps of North America, Europe, and Asia, and a detailed weather table with columns for Today, Tomorrow, and High/Low temperatures.



PEP TALK BEFORE SANCTIONS — Libyans in a Tripoli mosque listening Friday to a sermon attacking the United States. UN sanctions are to take effect in less than a week if Libya does not hand over two alleged terrorists. The UN leader said he would continue as a "catalyst" in trying to persuade Libya to do so.

DUTY FREE ADVISORY

Advertisement for Abu Dhabi Duty Free. Features a large image of a man in a suit and the text "Life's special meetings." and "Nothing matches the delights of coming home after a long trip away." Includes the Abu Dhabi Duty Free logo.

UN Chief Offers New Afghan Plan

By Steve Coll
Washington Post Service
NEW DELHI — The UN secretary-general, Boutros Ghali, formally announced a new peace plan Friday for Afghanistan in which a neutral council would take power from President Najibullah "as soon as possible" to pave the way for a reconciliation government to be selected later by representatives of Afghanistan's warring factions.

YELTSIN: Outsmarts His Foes

(Continued from page 1)
Russian Constitution "time and again," he warned that in the future, "it would not be enough for a deputy to simply criticize the government and refuse to accept the blame for its policies and their results in the future."

Handwritten Arabic text: "هذا من الاصل"

INTERNATIONAL Herald Tribune

Tokyo and Main Street

When the Japanese stock market plummeted 10 percent earlier this week, fear struck Wall Street. The Dow Jones industrial average plunged nearly 100 points in two days and Americans wondered whether Main Street would be next.

Mixed Verdict in Miami

In the U.S. government's nightmare scenario, Manuel Antonio Noriega would have been ricketty and drug charges in Miami and, although he might have been indicted or extradited, the United States would have suffered the immense embarrassment of seeing acquitted the man it invaded Panama to bring to trial.

Why He Kept It Secret

Arthur Ashe was understandably upset and angry when forced to reveal at a hastily called press conference Wednesday that he is suffering from AIDS.

Asimov, the Translator

Anyone lucky enough to stumble on one of Isaac Asimov's Hugo Award winning stories in the 1960s or 1970s, as a pretty good idea of what it must have been like to talk to the irrepressible writer of science fiction—and of science fact, mystery, criticism, essays and much else—who died this week at age 72.

OPINION Angry Voters (Britain Aside) Are Tired of the Stench

NEW YORK — The results of recent elections in Western Europe and primaries in the United States suggest a new, volatile and inward-looking pattern of politics within industrialized democracies.

Even Collective Security Needs a Superpower Friend

WASHINGTON — Fifty years ago Walter Lippmann introduced the idea of salience in foreign policy. "Foreign policy," he wrote, "consists in bringing into balance... the nation's commitments and the nation's power."

This Is Not the Way to Deal With a 'Global Partner'

TOKYO — Only months after it proclaimed a new "global partnership" with Japan, the Bush administration shifts treats America's most important Asian ally and business partner as a political subordinate to be involved in global strategy as an afterthought.

For Israel, It's Business With the Devil

NEW YORK — First, fellow students of journalism, I want to thank the truth squad of military specialists, outside and inside the Pentagon, who helped me achieve victory over the mighty column-writing team of Evans and Novak.

Other Comment

No Tears, but No Vindication
No one will shed tears for Manuel Noriega, who now faces a theoretical 100-year term in prison.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: A Drouot Auction
PARIS — An important sale took place yesterday (April 11) afternoon in Room 3 of the Hotel Drouot.

INTERNATIONAL HERALD TRIBUNE
KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER
LEE W. HUEBNER, Publisher
WALTER WELLS, News Editor

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address.

Corot's Diverse Facets and Inner Unity

NEW YORK — Unobtrusively tucked away in the Robert Lehman Wing without so much as a handlist to record its glory, this year's most magnificent exhibition of French 19th-century painting is at the Metropolitan Museum of Art until May 10. Even the title, "Barbizon," understates the scope of a show that includes 30 Corots and reveals at a glance that the Met has the finest collection in the world after the Louvre.

It was whipped up in less than five months by Laurence B. Kanter, curator of the Robert



Corot's "Ville d'Avray" (c. 1870) and "Portrait of a Child" (1835), in the Metropolitan's "Barbizon" exhibition.

SOURBEN MELIKIAN

Lehman Collection, when it was realized that the 19th-century painting galleries would have to close for two and a half years for renovation. It has the visual impact that only a large gathering of works, rarely on view, by a towering figure of European art could have. For side by side, the Corots from the Lehman Collection — which functions as a separate entity within the museum, and those from the Met's general art holdings, form the most extraordinary pageant seen in a quarter of a century.

They project a new vision of the master's landscape painting, about which everything seemed to have been said. Its development comes out as singularly more complex, with bold ventures at an early stage. "Lake Albano and Castel Gandolfo," done around 1826-27, when the artist had been painting barely five years, is a study in light and shadow playing on cold, dense colors.

The brushwork is broad and the detail almost diminished from the view of a long U-shaped lake, suggestive as much as descriptive. The green and black streaks of the water reflecting the long hillsides steeped in dark, humid shadow give the feel of a lull in a country over which the sun is about to set. Horizontal touches of light run along the roofs of tiny houses on the hilltop. This is the art of the fleeting instant, ahead of its time by three decades.

"Hagar in the Wilderness," painted in 1835, defies classification. The landscape seems carved out of a hill by the intense harsh Mediterranean light, with patches of abrupt, clear-out shadow. The composition, with its climbing arid terrain, steep boulders in the lower right corner, and clumps of trees at wide intervals, is unusual.

How Corot went over from this style to an utterly different manner, revealed by works such as "Village Street, Dardagny," is a mystery that no art historian has investigated. Possibly done in 1863, the last year Corot is known to have traveled to the hamlet near Geneva, the close-up view of a winding street with a peasant woman leaning against the wall at the bottom of an outer staircase, has much that anticipates Impressionism. The evocative brushwork in dabs of color, the elimination of outline giving way to a blur of colored impressions, the broad sky with wisps of fluffy white on light blue, generally credited to the School of Impression in the late 1860s, is seen here to have started with Corot rather than Renoir.

FOR SALE/SOLD

Swiss-made watches. A load of 300-year-old Chinese porcelain covered in a smoky patina fetched an estimate-shattering \$7.1 million in a two-day auction in Amsterdam this week. Christie's had predicted that the sale of the 28,000 pieces, Yung Tau Cargo would bring in up to \$2.2 million. The collection, sold for the Vietnamese Ministry of Transportation, included wine goblets, teapots, decorative vases and miniatures, recovered from an Asian trading junk that sank off the Vietnamese province of Vung Tau around 1690. Christie's said the collection was unusual because it showed Chinese craftsmen were tailoring their products to European demand earlier than was previously believed. Many of the pieces feature Western-style designs. The cargo was auctioned in Amsterdam because much of it is believed to have been ordered for wealthy 17th-century Dutch merchants and the junk is presumed to have been in route to the Dutch East Indies. The wreckage was discovered by a Vietnamese fisherman whose net

ant woman leaning against the wall at the bottom of an outer staircase, has much that anticipates Impressionism. The evocative brushwork in dabs of color, the elimination of outline giving way to a blur of colored impressions, the broad sky with wisps of fluffy white on light blue, generally credited to the School of Impression in the late 1860s, is seen here to have started with Corot rather than Renoir.

The poetry of the master's originals. It is the one that inspired the worn out French art trade joke about there being "three thousand Corots on record, of which ten thousand are in U.S. collections."

The said U.S. collections are shown here to have indeed acquired early possibly the most beautiful landscapes to be seen anywhere from the master's ultimate phase.

The "Woman Gathering Faggots at Ville d'Avray," from the Isaac D. Fletcher bequest in 1917, and "Boatman Among the Reeds," from the Michael Friedsam bequest in 1931, respectively hidden from view since June 1989 and November 1988, would make front page news if they had just been acquired by the Met. These and a few more "The Ferryman" or "Gypsies," an imaginary landscape, would be enough to turn this exhibition into a must for any art lover.

Added to these is a sequence of portraits that, again, radically renews the common perception of Corot's oeuvre. The portrait of a young boy in a schoolboy's black frock and a plumed hat, standing three-quarters, was painted around 1835. The expression, intense and wary, with a touch of wondering sadness, youthful but not childish, goes back to the great French 17th-century tradition of introspective portraiture as represented by Simon Vouet and the Le Nain brothers.



The remarkable "Girl Wearing a Garland," last seen in 1988, is utterly different in mood. A young girl in a subdued pink jacket and pearl gray skirt sits on her bed, with the shadow of a

smile on her closed lips as she looks down at the garland. There is no background other than color hastily brushed to this timeless and spaceless image that the label cautiously refrains from dating.

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AUCTION SALES

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ECONOMIC SCENE

Taking a New Accounting Of the Old Deficit Game

By Peter Passell

NEW YORK — Everybody knows that a bigger U.S. budget deficit would be bad news. Everybody, that is, except the 100 heavyweight economists, including six Nobel winners, who a few days ago urged Washington to double the recession with some old-fashioned Keynesian pumping.

Confused? Read on at your peril. The rationales for taking the deficit figures with a grain of salt are many and varied. And the rationale for taking the deficit figures with a grain of salt is a clever way of looking at fiscal policy called generational accounting.

Generational accounting challenges the logic behind budget arithmetic.

Others point out that all deficits are not created equal. An extra billion invested in education to make sure Johnny can read by the time he graduates from junior college is not the same as, say, an extra billion in tax cuts to help families pay their heating bills.

Consider, too, Mr. Reichman's rationale for taking deposit insurance out of the deficit equation. The half-trillion dollars needed to make good on deposit-insurance claims is real money. In the most immediate macroeconomic sense, though, the transfer from the Treasury to depositors' accounts has no consequences: The cash is unlikely to affect the total demand for goods and services because depositors receiving the cash never thought they had lost it.

But NONE of these qualifications touch the issue addressed in "Generational Accounting," a new book by the Boston University economist Lawrence Kotlikoff.

The core objection to deficit spending for consumption today is that it comes at the expense of consumption tomorrow, that today's taxpayers are racking up bills that future generations will be obliged to pay. Mr. Kotlikoff agrees, but puts a very different spin on the conventional wisdom.

CURRENCY RATES

Table with columns for currency (Austrian, Belgium, Brazil, Canada, etc.) and rates for various periods.

INTEREST RATES

Table with columns for instrument (1 month, 3 months, 6 months, etc.) and rates.

Key Money Rates

Table with columns for instrument (3-month bill, 6-month bill, etc.) and rates.

Asian Dollar Deposits

Table with columns for bank (Merrill Lynch, Citibank, etc.) and rates.

U.S. Money Market Funds

Table with columns for fund name (Merrill Lynch, Fidelity, etc.) and rates.

GOLD

Table with columns for location (New York, London, etc.) and gold prices.

American Airlines Gambles Big on Fares

By Agis Salpukas

NEW YORK — The move this week by Robert L. Crandall, chairman of American Airlines, to overhaul the carrier's convoluted fare system is not only aimed at persuading more people to fly.

European and Asian Lines Will Wait

American Airlines' move to reorganize fares in the United States will not immediately be followed in Europe or Asia, airlines there said Friday.

Under the new system, American will offer only a first-class fare, a coach fare that can be bought until flight time, and two discount fares, one requiring purchase 21 days in advance of travel and another seven days in advance.

Sabena and Air France Tie Knot

BRUSSELS — Sabena's long search for a larger partner to help it develop Brussels international airport as a major European travel hub ended Friday as it signed a partnership agreement with Air France.

Sweden: Deregulation by Summer

STOCKHOLM — Deregulation of Sweden's domestic airline industry will likely begin by summer, the Communications Ministry said Friday after the legislature passed a directive.

Thomson-CSF Gets LTV Nod

NEW YORK — A bankruptcy court judge on Friday approved the sale of the aerospace unit of LTV Corp. to a group led by the French electronics company Thomson-CSF for \$450 million.

U.S. Consumer Prices Sharply Higher in March

NEW YORK — Consumer prices rose in March at an unsettling annual rate of 6 percent, the Labor Department said Friday, but officials and private economists portrayed the figure as a statistical aberration.

The March price increase was to be repeated for an entire year, it would translate into an annual inflation rate of 6.2 percent.

Ailing MGM Continues to Count the Cost of Parretti's Reign

By David Willman

LOS ANGELES — With all the urgency of a struggle for survival, executives at the historic but ailing MGM studio are sifting through the accounts, trying to find where the money went during the free-wheeling reign of the Italian financier Giancarlo Parretti.

production and distribution, but who oversaw transactions not always in the company's best interest?

When Mr. Parretti traveled to Europe or other destinations, he flew chartered jets owned by Interfly, one of his companies. At a time when fully equipped chartered flights were going for \$3,000 to \$5,000 an hour, Interfly typically charged MGM \$8,000 an hour.

London Stocks Surge 5.6% on Tory Victory

By Erik Ipsen

LONDON — The London stock market reacted with great glee on Friday to the surprise victory of the Tories in the general election, posting near-record gains in what was called the heaviest trading ever.

The FTSE went as high as 2,587, a few points above the year's high and just 96 points short of its all-time peak, before profit-taking pulled it back down.

London's surge followed the fifth-biggest single-day gain ever for the Tokyo stock market. The Nikkei 225-stock average climbed 1,252.51 points to 17,830.66.

It has been the expectation that inflation will remain low that has given the Fed the maneuvering room to cut interest rates.

Indeed, President George Bush, suggesting Friday that interest rates could go still lower, said that the producer price index at a 0.2 percent increase for March "showed that inflation is under control."

Through his spokesman, Mr. Parretti said that the restaurant manager's car was provided by another company he owns, Pathe-Roma — not the studio.

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MARKET DIARY

Dollar Rises in N.Y. Amid Buy Orders

The dollar ended at 1.6365 Deutsche marks, after 1.6167 at the previous close, and also at 132.90 yen after 132.07. It climbed to 1.5070 Swiss francs, from 1.4858, and to 5.5400 French francs, from 5.4795.

In London, the pound was the object of heavy demand after frantic all-night trading and strong buying in the Far East. It advanced to a level of \$1.7735 late Friday, compared with \$1.7475 Thursday.

TOKYO: A 'Strength' Backfires

The shareholdings of the 14 largest banks are still worth a lot more than the banks paid originally, about \$78 billion more, according to a report this week in the Nihon Keizai Shinbun, Japan's leading financial daily.

Among the most active, Telefonos de Mexico's American depositary receipts gained 1 1/2 to 56 1/4 after the telecommunications company settled a wage dispute.

WORLD STOCK MARKETS

Table of world stock markets including Amsterdam, Brussels, Frankfurt, London, Madrid, Milan, Montreal, Paris, Sao Paulo, Singapore, Stockholm, Tokyo, Zurich, and various regional indices.

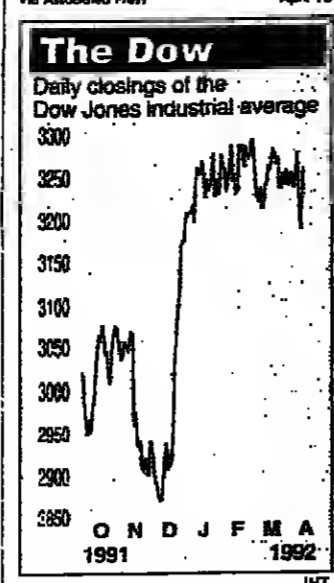


Table of Dow Jones Averages including Standard & Poor's Indexes, NYSE Indexes, and NASDAQ Indexes.

Table of NYSE Most Actives listing various stocks and their price changes.

Table of NYSE Diary showing advanced, declined, and unchanged stocks.

Table of NASDAQ Diary showing advanced, declined, and unchanged stocks.

Table of Dow Jones Bond Averages showing various bond indices.

Table of AMEX Stock Index showing various market sales.

Table of AMEX Most Actives listing active stocks on the AMEX.

Table of NYSE Odd-Lot Trading showing buy and sell orders.

Table of S&P 100 Index Options showing various option contracts.

Table of Amex Diary showing advanced, declined, and unchanged stocks.

Table of NASDAQ Diary showing advanced, declined, and unchanged stocks.

Table of EUROPEAN FUTURES showing various futures contracts.

Table of U.S. FUTURES showing various futures contracts.

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Table of GERMAN GOVERNMENT BOND (LIFFE) showing various bond contracts.

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Table of GERMAN GOVERNMENT BOND (LIFFE) showing various bond contracts.

Banker to Stay at O&Y Ahead of Creditors' Talks

TORONTO (Combined Dispatches) — The troubled real estate giant Olympia & York Developments Ltd. said Friday it had redefined the role of the New York banker Thomas Johnson, who reportedly had bolted the company Wednesday just two weeks after he was recruited to help it restructure \$12 billion in debt.

The world's largest property developer admitted in March that it was facing a "liquidity crisis," and has since missed payments on mortgages, loans and commercial paper in excess of \$550 million.

SEC Cracks Down on Penny Stocks

WASHINGTON (Bloomberg) — The Securities and Exchange Commission on Friday approved new rules to crack down on penny stock fraud, but said the rules would not hamper the ability of small businesses to raise capital.

The rules require broker-dealers to better disclose information on transactions in penny stocks, which are stocks that sell for less than \$5 a share. Between 1988 and 1991, the SEC had more than 300 cases of fraud in penny stock sales.

Westinghouse Has \$246 Million Loss

PITTSBURGH (Reuters) — Westinghouse Electric Corp. on Friday reported a \$246 million loss in the first quarter, which it attributed to a charge to cover its employees' retirement benefits.

The loss compared with a profit of \$98 million in the year-earlier quarter, and was caused by a charge necessitated by new accounting standards, its net income for the quarter was \$92 million.

Caterpillar-UAW Talks to Resume

CHICAGO (Reuters) — Caterpillar Inc. and the United Auto Workers union have agreed to resume talks in a bid to end the most bitter U.S. labor-management showdown in a decade, federal mediators said on Friday.

The Federal Mediation and Conciliation Service said that the two agreed to meet again soon and that neither party had placed any conditions on participation. The UAW has been on strike against the world's largest heavy equipment manufacturer for five months.

GATT Will Admit Talks Are Blocked

GENEVA (Reuters) — The General Agreement on Tariffs and Trade called a meeting of negotiators to report that the Uruguay Round of trade talks is paralyzed after almost six years.

"What we will see is that they are blocked," one ambassador to GATT said of the meeting set for Monday afternoon. The 108-nation negotiations should have finished at the end of 1990, but they got bogged down in disputes between the European Community and major farm exporters, especially the United States, over cutting agricultural subsidies.

MARKET GUIDE

Table of market guide including various indices and market data.

Adia's Net Profit Fell 63% Last Year As Recession Dried Up Jobs Services

Compiled by Our Staff From Dispatches
LAUSANNE, Switzerland — Adia SA, the world's second-largest employment agency, reported Friday that 1991 group net profit plunged 63 percent as recession hit the company even as it moved to sell off units.

Adia's chief executive, Nico Isenmann said Friday that Omai's collapse had left Adia in a "critical situation."

He said at a news conference that revenue in the first quarter of 1992 was 5 percent higher than in that quarter 1991. But he said he still expected "another difficult year."

He said, "Even if the economic

situation may well improve in the United States, it's likely there will be no marked pickup in other countries that are important markets for us."

He added that Adia's remaining operations would at least match 1991 results this year, but declined to give an exact forecast.

Adia also said it would pay no dividend for its latest financial pe-

The new management says Adia was left in a 'critical situation' by the collapse of its former parent.

Operating profit in the recession-sensitive temporary employment business, the core sector on which Adia intends to concentrate, fell to 43 million francs from 149 million.

The Swiss businessman Klaus Jacobs and the German retailer Asko Kaufhaus AG bought control of Adia last year from Omai Holding AG, the collapsed flagship of the financier Werner Key.

They have had to cope with the double blow of a severe economic downturn that hit Adia's employment business, especially in the United States, and the crippling legacy of Mr. Key's aggressive expansion into a services conglomerate.

They opted to trim Adia with a steady investment program aimed at slashing debts and simplifying its structure.

MGM: The Cost of Parretti's Reign

(Continued from first finance page)

of MGM. In part because her permission was required for any check to be issued, unpaid bills piled up, further clogging the operations of the financially stressed studio.

When Credit Lyonnais, the French government-controlled bank that had loaned him nearly \$1 billion for the acquisition of MGM, began last June to seek his ouster, Mr. Parretti counseled against removing Valentia.

Last week, MGM-Pathé announced that the Securities and Exchange Commission had begun investigating other transactions of the studio's parent company from 1988 to 1990. Mr. Parretti controlled the parent, Pathe Communications, during that time, which preceded his acquisition of the studio in November 1990.

Sources told the Los Angeles Times that one of the deals that may be scrutinized concerned Mr. Parretti's discussed — but never consummated — sale of Pathe Communications Corp.'s chain of European theaters to another Parretti company, called Renta.

Ultimately, Pathe kept control of the theaters — but not without concluding the negotiations by paying \$60 million to Renta.

From the studio's headquarters in Culver City, California, MGM's newly installed team of executives is trying to win back the confidence of writers, directors and actors needed to help create a new generation of successful movies.

Still, the deepest pocket at risk is Credit Lyonnais. In addition to forcing Mr. Parretti out, the bank over the last year has sunk an additional \$300 million into MGM-Pathé's operations.

By its actions, Credit Lyonnais has signaled that, rather than quickly cut its losses, it will attempt to help restore the company's stature — and perhaps part of its lost value.

Credit Lyonnais' loans to Mr. Parretti — who Italian court records show was convicted seven times for passing bad checks from 1974 to 1980 and imprisoned 11 months in 1977 for making a separate "false representation" — have generated criticism from French legislators.

VW's Battle May Be Within

New Top 2 Managers: A Study in Contrasts

Compiled by Our Staff From Dispatches

WOLFSBURG, Germany — Volkswagen has chosen an Austrian-French management team with a mission to beat its Japanese competitors, but whose contrasting styles have led to industry speculation that much of the competition may be within Europe's largest carmaker, and soon.

Meeting Friday, Volkswagen AG's board confirmed Ferdinand Piëch, an Austrian, as head of the company, effective Jan. 1. Daniel Goeudevert, a Frenchman, was confirmed as his deputy chairman.

Der Spiegel magazine, expecting the confirmation of the appointments that were made two weeks ago, wrote this week: "The result is clear — the two men will be fighting over turf."

Analysts welcomed the changes, saying an overhaul of VW's finance was long overdue. But many were skeptical the men could bridge the gap in their philosophies and personalities.

"The Piëch-Goeudevert team plus a *deus fatale* at the helm — a technology freak who dreams of a 1,000-horsepower car and a manager who wants to build an environmentally-friendly car," Der Spiegel wrote.

Mr. Piëch, 54, loves fast cars and has a reputation as a brilliant engineer. But he is also described as a bristly and querulous manager. Mr. Piëch, head of VW's Audi AG unit, succeeds Carl H. Hahn at the helm of the parent.

Mr. Goeudevert, 50, until now head of the VW

brand division, is seen as a charming team player who uses television talk shows to promote his ideas on the need for carmakers to pay greater attention to ecological concerns. Mr. Goeudevert had been expected by some to succeed Mr. Hahn.

Simon Rowe at the British brokerage Smith New Court said any efforts to bring VW's soaring costs under control would be welcome.

"There is bound to be a bit of tension between the two people, but almost anything would be an improvement from the past 18 months, where it has become clear that Volkswagen's underlying business is not making any profits at all," he said.

Mr. Rowe described Mr. Hahn as "an amiable uncle figure," who had failed to tackle VW's problems and whip the firm into shape to meet a mounting challenge from Japanese carmakers.

VW has already said it will slash 12,500 jobs — 10 percent of the work force — by 1995 via attrition, but analysts say at least twice as many jobs should probably be cut.

The company's group net profit edged 1.8 percent higher to 1.11 billion Deutsche marks (\$682.8 million) in 1991 and its adjusted earnings per share remained unchanged at a high 36 DM.

But several magazines have reported that VW made a large operating loss in its core automotive business, although VW has not released any figures on operating earnings. (Reuters, UPI, AP)

Investor's Europe

Exchange	Index	Friday Close	Prev. Close	% Change
Frankfurt DAX		124.70	123.40	+1.05
London FTSE 100 Index		5,695.27	5,640.53	+0.99
Paris CAC 40		1,736.07	1,720.25	+0.92
Amsterdam CBS Trend		706.67	696.65	+1.15
Brussels Stock Index		798.50	778.24	+2.36
Frankfurt DAX		2,001.10	1,885.70	+6.12
Frankfurt FAZ		2,572.60	2,436.40	+5.58
Helsinki HEX		248.84	246.31	+1.03
London Financial Times 30		987.00	976.00	+1.13
London FTSE 100		1,974.06	1,943.64	+1.57
Madrid General Index		1,046.57	1,027.67	+1.82
Milan MIB		448.25	438.24	+2.26
Paris CAC 40		643.70	639.10	+0.88
Stockholm Affarsvarlden				
Vienna Stock Index				
Zurich SBS				

Sources: Reuters, AFP
 (Continued from first finance page)

Very briefly:

- Guardian & Manchester Evening News PLC, publisher of The Guardian, said it wants to buy Lombard PLC's Sunday newspaper The Observer.
- Outokumpu Ecoenergy, a subsidiary of Outokumpu Oy of Finland, won a 33 million markka (\$7.4 million) contract to build a trash incinerator for the town of Udine in Italy.
- Ferruzzi Finanziaria SpA restructured its Spanish insurance brokerage through the acquisition of a 75 percent stake in Nikols Iberia by CNJ-Nikols, jointly owned by Consorcio Nacional de Leasing and Ferruzzi.
- Banca della Svizzera Italiana's stockholders approved plans by the majority shareholder, Swiss Bank Corp., to form a private banking group; SWI will sell its domestic branches outside the Italian-speaking part of Switzerland to SBC and will acquire four private banks held by SBC.
- Degussa AG, the chemicals and precious metals conglomerate, said group sales in the six months that ended in March dropped 7 percent to 6.1 billion Deutsche marks (\$3.7 billion) from the year-earlier period; group profit was "slightly" higher, it said, without giving figures.
- Gebrüder Sulzer AG, the Swiss engineering and textile machinery maker, said group net profit last year fell 23.2 percent to 119 million francs (\$80.2 million); sales rose 4 percent.
- Hochtief AG, Germany's second-largest construction group, lifted its dividend on 1991 results to 12 DM per share from 10 DM. (AFP, Bloomberg, Reuters)

RVI to Cut 1,000 Jobs in France

LYON — Renault Vehicules Industriels, the bus and truck maker of the French state-controlled automotive company, said Friday it would cut its work force in France by 5.8 percent and reduce output to cope with a weak market.

A total of 1,008 out of about 17,400 jobs will be eliminated, said RVI's chairman, Jean-Pierre Capron. Another 200 jobs will be cut at the company's Mack Trucks Inc. subsidiary in the United States, he said. Mack has a work force of about 5,400.

Mr. Capron said RVI would cut production to 40,000 vehicles this year from 44,000 in 1991. "We are certain the market for heavy vehicles will turn lower in 1992," he said.

LONDON: Stocks Surge on Conservatives' Victory

(Continued from first finance page)

mainly convinced that such a move would occur by May.

At the same time, financial analysts did not see much cheer in the economic policies of the Conservative, despite the party's victory. Mr. Turnbull said, "The Tories have mismanaged the economy deeply and Labor would only have done worse."

With John Major's exceedingly quiet campaign having come up with no new solutions or programs for what ails Britain, most economists have simply tossed away their

carefully crafted scenarios for economic life under Labor and returned to pre-election forecasts.

Once again they talk about policymakers whose options are severely limited by the necessity of having to follow the Bundesbank's lead on monetary policy and by the stubbornness of the grip of the economic slump on many of Britain's leading trading partners.

"We always thought it wouldn't make much difference who won," said Jim O'Neill, a strategist with Swiss Bank Corp. in London.

FARES: American Airlines in a Long-Range Gamble

(Continued from first finance page)

discount flight instead of traveling to its final destination.

Also, travelers from smaller companies, who could not get special deals, were often forced to pay full fare and have been becoming more vocal about the inequities.

Some also began to use smaller carriers like Trans World Airlines to get special low fares, putting up with Saturday night stays to qualify for lower fares. Or they just did not travel, and did business by phone.

Mr. Crandall, whose carrier

commands about a fifth of the U.S. airline market, has historically been more sensitive to changes in the market than executives of other carriers. American, for example, has a computer system that tracks trends and a staff that has developed broad long-term changes.

To make his fare reorganization stick, Mr. Crandall is coming on the increasing concern among all carriers over the erosion of what had been one of the industry's most stable bases of revenue — the business traveler.

Because most business executives travel on company expense and corporations consider travel a necessary, past fare increases have been swallowed with little protest.

But fares reached such high levels that many corporations began to fight back.

Mr. Crandall said it was typical for a representative of a large company to show him a letter from another carrier offering a 40 percent discount and then ask him to offer 42 percent.

NASDAQ

Friday's Prices
 NASDAQ prices as of 4 P.M. New York time. This list compiled by the L.P. consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

High	Low	Stock	Div.	Yield	100 High	Low	100 High
50	48	AAV			48	48	48
52	50	ABB			50	50	50
54	52	ABC			52	52	52
56	54	ABD			54	54	54
58	56	ABE			56	56	56
60	58	ABF			58	58	58
62	60	ABG			60	60	60
64	62	ABH			62	62	62
66	64	ABI			64	64	64
68	66	ABJ			66	66	66
70	68	ABK			68	68	68
72	70	ABL			70	70	70
74	72	ABM			72	72	72
76	74	ABN			74	74	74
78	76	ABO			76	76	76
80	78	ABP			78	78	78
82	80	ABQ			80	80	80
84	82	ABR			82	82	82
86	84	ABS			84	84	84
88	86	ABT			86	86	86
90	88	ABU			88	88	88
92	90	ABV			90	90	90
94	92	ABW			92	92	92
96	94	ABX			94	94	94
98	96	ABY			96	96	96
100	98	ABZ			98	98	98

Handwritten scribbles and numbers at the bottom right corner of the page.

AMEX

Friday's 3 p.m. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

17 Month	High	Low	Stock	Div	Yield	PE	52-Week High	52-Week Low	Change
17	17	17	AAI	0.00	0.00	10.00	17.00	17.00	0.00
17	17	17	AAI	0.00	0.00	10.00	17.00	17.00	0.00
17	17	17	AAI	0.00	0.00	10.00	17.00	17.00	0.00

13 Month	High	Low	Stock	Div	Yield	PE	52-Week High	52-Week Low	Change
13	13	13	AAI	0.00	0.00	10.00	13.00	13.00	0.00
13	13	13	AAI	0.00	0.00	10.00	13.00	13.00	0.00
13	13	13	AAI	0.00	0.00	10.00	13.00	13.00	0.00

12 Month	High	Low	Stock	Div	Yield	PE	52-Week High	52-Week Low	Change
12	12	12	AAI	0.00	0.00	10.00	12.00	12.00	0.00
12	12	12	AAI	0.00	0.00	10.00	12.00	12.00	0.00
12	12	12	AAI	0.00	0.00	10.00	12.00	12.00	0.00

11 Month	High	Low	Stock	Div	Yield	PE	52-Week High	52-Week Low	Change
11	11	11	AAI	0.00	0.00	10.00	11.00	11.00	0.00
11	11	11	AAI	0.00	0.00	10.00	11.00	11.00	0.00
11	11	11	AAI	0.00	0.00	10.00	11.00	11.00	0.00

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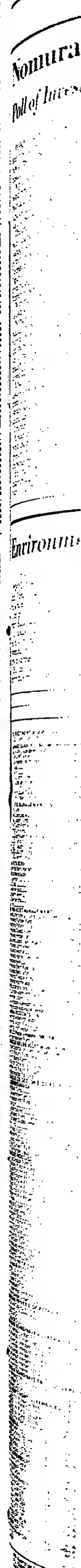
NYSE

Friday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

17 Month	High	Low	Stock	Div	Yield	PE	52-Week High	52-Week Low	Change
17	17	17	AAI	0.00	0.00	10.00	17.00	17.00	0.00
17	17	17	AAI	0.00	0.00	10.00	17.00	17.00	0.00
17	17	17	AAI	0.00	0.00	10.00	17.00	17.00	0.00



ASIA/PACIFIC

Nomura's Vox Populi Bond Poll of Investors Is to Set Price of THK Issue

Bloomberg Business News TOKYO — Nomura Securities Co. said Friday that it would poll investors to decide the price of a new corporate bond for THK Co., a machine tool maker.

Nomura says it will give investors a better idea about what price they can expect on the bond. The traditional pricing system hindered the growth of Japan's domestic corporate bond market because of difficulty investors have in determining a fair market price for corporate debt.

Indosuez To Open in Vietnam

Compiled by Our Staff From Dispatches HANOI — Banque Indosuez on Friday became the first foreign bank granted permission to open a branch in Vietnam since 1975.

With a Caveat, Colony Approves China Funds

Compiled by Our Staff From Dispatches HONG KONG — The colony's securities watchdog said Friday that it would allow funds that invest in Chinese shares to be offered to the public in Hong Kong, but warned investors that the young Chinese market was highly risky.

Investor's Asia table with columns for Hong Kong Hang Seng, Singapore Straits Times, and Tokyo Nikkei 225. Includes a line graph showing index trends from 1981 to 1992.

Environmental Loss Saps Growth, ADB Warns

MANILA — Led by Malaysia, Thailand and China, Asia's dynamic economies will back recession elsewhere in the world to post faster growth this year, the Asian Development Bank said on Saturday.

structure bottlenecks and rapid population growth could pare gains in some Asian states. The bank's annual Asian Development Outlook predicted that Asia would lose its place to the Middle East as the world's fastest growing region in 1992.

Patent Talks Fail in Taiwan

TAIPEI — Talks between Taiwan and the United States this week on protecting patents and copyrights have broken down, and Taipei may face trade sanctions as a result, officials said Friday.

4 Hyundai Executives Held

SEOUL — Prosecutors have arrested four executives of the Hyundai group's shipping subsidiary for allegedly evading millions of dollars in taxes, officials said Friday.

Very briefly: Orbital Engine Corp. of Australia said it had signed a license agreement for two-stroke technology with a major world car manufacturer, and business sources said the unidentified company likely was Volkswagen.

A Cheaper Car in Store for China

BEIJING — The joint venture carmaker Shanghai Volkswagen plans to market a new, reduced-price version of its popular Santana sedan in 1995 to relieve shortages in the domestic market, officials said on Friday.

Large table titled 'INTERNATIONAL FUNDS' listing various investment funds with columns for fund names, currencies, and other details. Includes sub-sections for 'Other Funds' and 'INTERNATIONAL FUNDS'.

For information on how to list your fund, fax Simon OSBORN on (33-1) 46 37 52 12.

THE MONEY REPORT

FIRST COLUMN

Caution on Stocks After Japan Jolt

A New Look At Markets For the '90s

By Conrad de Aenlle and Tom Buerkle

HEY drew relatively little notice at first, but two events in 1982 would shape the financial history of the 1980s: Mexico's first default on its bank loans and the bottoming out of the U.S. stock market.

What a difference a decade makes. In this past week, Argentina agreed to restructure its commercial bank debt, a deal Citicorp claimed would virtually end the debt crisis triggered by Mexico.

Meanwhile, the world's major stock markets after a decade of growth ushered in by Wall Street's historic revaluation, showed signs of cracking as Tokyo's long tailspin finally touched nerves in New York and Europe.

It's all enough to give an investor a new-found respect for cycles.

HERE'S no secret why the developing world's basket cases of the 1980s are the emerging market stars of the '90s. The formula is standard: Adopt a realistic exchange rate and sound money, cut back the size of the state, privatize, lower tariffs. In short, integrate with the world economy and use the comparative advantage of low wages to spur growth and attract capital.

The developed world, however, seems to have lost its touch. The United States and Britain are having trouble emerging from their longest postwar recessions while Germany and Japan continue to weaken. And the major countries so far have been unable to reach a new trade agreement that might help lift them out of the morass.

The sluggishness has to be worrying for stock market investors. A big part of the gains made in stocks in the 1980s stemmed not just from economic growth itself but from a revaluation of financial assets as governments tamed inflation and cut taxes. Without strong economic and earnings growth, stocks could stagnate and today's high valuations could unravel.

Of course, it's a big leap from weakness to collapse. Tokyo's woes have still been remarkably self-contained, and a market that has fallen 54 percent certainly is getting closer to the bottom. Although valuations in New York still look top-heavy, lower interest rates and the prospect of even a limited recovery make a crash look unlikely. An investor may have to look elsewhere, however, to find the kind of gains those markets produced for much of the last decade. Citicorp, like many banks, is cashing in its Argentine loans for pieces of the country's telephone and steel industries. Where's the dead weight in Citicorp's loan book now? Those 1980s darling investments: New York and London real estate.

T.B.

IN a testament to the fickleness of market sentiment, the incipient panic that touched the major stock markets at mid-week turned to something verging on euphoria by the end of the week.

Tokyo staged a long-overdue rebound, easier credit cheered Wall Street and a surprising Conservative victory in Britain sent prices soaring in the City of London.

The confidence on Friday was encouraging, but such a sudden shift in sentiment should raise eyebrows. Is this volatility the sign of markets preparing for a new bull run, or getting ready for a big fall?

With the major markets in very different stages of the cycle, the answer isn't uniform. But it will take more than a one-day bounce to end Tokyo's two-year-plus slump. And after months of tumbling in a vacuum, Tokyo proved this week that it can indeed send a shiver through other world markets.

So what are the prospects? Here's what the analysts are saying:

● **Japan:** Friday's 1,250-point rebound, the fifth-biggest one-day gain ever, helped steady nerves in Tokyo, but it will take a lot more to end the bear cycle, analysts said. Even with the gain, the Nikkei 225 index was down 3.8 percent for the week and 22.3 percent for the year to date.

Japan's economy remains very weak, corporate earnings are falling and banks remain saddled with bad real estate loans, said Peter Tasker at Kleinwort Benson in Tokyo. At a real market bottom, "you'd expect stocks to be ridiculously cheap" and financial distress to be more evident, with banks taking big writeoffs and some smaller financial institutions hitting the wall, he said. That hasn't happened yet.

Mr. Tasker sees the Nikkei wavering between 15,000 and 19,000 in coming months, with an outside chance of dropping as low as 12,000 to 13,000 if sentiment really sours.

Craig Chudler at UBS Phillips & Drew said the market "has the potential for a very sharp recovery." But like two previous bounces in the past two years, it will be merely a blip in a long-term bear run unless

tax or rate cuts are made to boost the economy and the markets themselves are restructured to work more effectively. Rules restricting movements in stock-index futures, for example, have prevented the futures market from playing a stabilizing role in the recent fall, he said. "No one is willing to make a bet that this market has bottomed if they can't hedge in futures."

Foreign buying has been one of the few props for Tokyo over the past year and remains positive, although reduced. Peter Thompson, who runs Japanese portfolios at Robert Fleming & Co. in London, said the market looks "extremely oversold" on the charts and could rebound above 20,000 by year-end. But the big story is sectoral, he said. Although banks still carry high valuations, some of the major industrial companies — including the auto and electronics giants — are looking cheap even by Western standards, he said. Companies like Hitachi and Toshiba are trading at three to five times cash flow, for instance.

● **United States:** If the fall in Tokyo is to have a more lasting impact on American markets than the knee-jerk drop this past week, it should become apparent a few weeks from now — May 5, to be precise.

"I don't think it will have a large effect until the U.S. Treasury refunding on the fifth of May," said Albert Edwards, global equity strategist at Kleinwort Benson in London. "If the Japanese market is still weak at that time, then basically U.S. equity investors will fess about Japanese participation. You may see a very sharp rise in U.S. yields."

As for share prices, he said: "In Japan, it's the pension funds that are the large holders of overseas equities. It's the banks trying to raise capital" that are suffering from the drop in stock prices, not the pension funds.

But High Johnson, chief economist at First Albany Corp., expects the woes of Japan's banks to have a substantial and far more concrete effect in the United States.

"What we're talking about is a contraction in worldwide credit conditions," he said.

"The pressure on our credit markets of Japanese investors pulling back has been meaningful; it really means the U.S. yield curve will remain steep or long-term rates will remain high, or it will be difficult to put up a

sustained increase in stocks as long as bonds are such an attractive alternative. Why buy stocks as long as Japanese banks have given bond investors such a gift?"

The Federal Reserve was in a generous mood itself Thursday, cutting the federal funds rate by a quarter point to 3.75 percent.

Falling rates have been the main fuel for the U.S. stock market rally, and equities daily obliged with a sharp rally. But news on Friday of a 0.5 percent jump in consumer prices dealt the rate outlook a blow, sending bonds tumbling even as stocks held firm.

Susan Hering, an economist at Salomon Brothers, said the course of interest rates will be "a roller-coaster, for the long end in particular." She thinks bonds will end 1992 yielding between 7.5 and 8.25 percent, a fairly tight band around the present level. Short rates will continue falling now, then rebound as the economy recovers. By year's end, she said, the fed funds rate will likely be between 4 and 4.25 percent.

● **Europe:** Analysts here show the same concern for the teetering Japanese banking system and the domino effect it may have on the world's financial markets.

"The problem with the Japanese, in contrast with the States, is the Japanese authorities have lagged behind what they needed to do," said Bob Semple, U.K. market strategist for County NatWest Wood Mackenzie in London. He noted that the Fed cut the U.S. discount rate a full point in December when the market had expected a half-point cut. That gave a lift to stocks. When the Bank of Japan recently cut its key rate just three-fourths of a point, in line with expectations, stocks fell like a boulder going off a cliff.

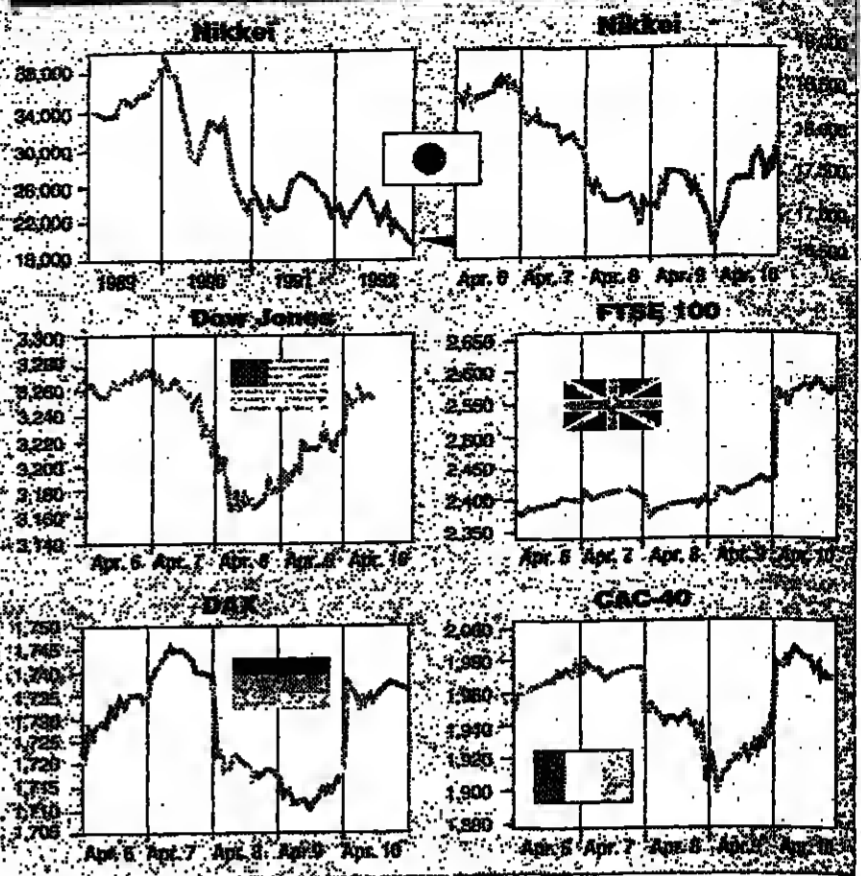
Nevertheless, he said the euphoria over the Conservatives' election victory would have a bigger, and clearly positive, impact on London stocks. Indeed, the FT-SE 100 index soared 136.2 points to 2,572.6 Friday.

"The market's headed up to 2,600," Mr. Semple assured. "It may pause to take a breath, but the market's heading higher."

His reasons for a prolonged rally later this year include a lifting of uncertainty over taxes that should boost consumer spending, and lower interest rates because of the Tories' commitment to a strong pound.

Olivier Fèvre, an analyst for Baring Secu-

Tokyo Sends a Global Chill



Source: Bloomberg Business News

cities in Paris, expressed confidence that the Japanese weakness would cause little more than a ripple on the Bourse, despite the flurry of selling that pushed the CAC-40 index down nearly 3.5 percent Wednesday.

"Some Japanese investors sold blue chips like L'Oréal and Canal Plus," he said.

But an upward move in French stocks, as on most other Continental bourses, depends on interest rates dictated by Germany. And so far the Frankfurt formula — keeping rates high to counter domestic inflation rather than worrying about economic slowdown — hasn't been positive for stocks.

The Bundesbank is not likely to change its

policy, even if share trading in Frankfurt gets a little dicey. "If their market goes down 10 percent, they're not going to lower rates," Mr. Edwards of Kleinwort Benson said.

Norbert Brauns, manager at Barclays de Zoete Wedd in Frankfurt, expects a fall in rates to boost the DAX index nearly 10 percent, to about 1,900 by the end of the year. But as rate cuts are likely to come later than people had been hoping, stocks could ease a bit first, especially if German metal workers strike for higher wages. "We still believe there is a chance the market has to come down slightly before it goes back up," he said, predicting a dip to 1,650.

BRIEFCASE

With its ERM Link, Portugal Aims to Be the Next Spain

For international investors, Madrid has been one of the hot places to be in the past couple of years as cohesion with Europe has produced big gains for Spanish stocks and bonds. Now the prospect of similar gains have been raised next door on the Iberian Peninsula following Portugal's decision last weekend to peg the escudo to Europe's Exchange-Rate Mechanism.

"It's taken away a great deal of the exchange-rate risk," says Peter Bennett, who manages the London-listed Portuguese Investment Fund Ltd. for Morgan Stanley International.

Currency risk and the need to get inflation down have kept Portugal's interest rates well above European norms, but the ERM move

should appease the first concern and inflation is falling fast. José Filiza at Carnegie International Ltd. in London sees inflation falling from 8.3 percent now to below 8 percent by the end of the year, even including a scheduled 1.5 percent rise in value-added tax. Bond rates have fallen from about 18 percent to 13 percent over the past year, but they have further to go, he says. Bigger declines are in store for short rates, currently at 16.5 to 17 percent, he adds.

Lower short-term rates should help the fledgling bourse because most companies finance themselves with short-term debt, Mr. Filiza says. Stocks already are cheap versus the rest of Europe at about 10 times prospective 1992 earnings, he says, and Portugal should have above-average growth as it catches up to its northern neighbors. "It's the market to play," Mr. Filiza says.

A small market, though, it must be added, Lisbon's total market capitalization is only about \$11 billion. But the government's privatization campaign could add nearly \$2 billion more this year alone. Performance is another question. Although bonds have done well, stocks are standing at just 30 percent of their pre-crash peak in 1987. The market has rebounded just over 11 percent since bottoming in February, though.

In addition to Morgan Stanley's fund, Lloyds and Lehman brothers run closed-end Portuguese funds out of London. The fourth and biggest is the New York-listed Portugal Fund Inc., run by BEA Associates.

The Next Emerging Market Success Story: Iran?

As emerging markets have graduated from

the offbeat obsession of a few to a craze for the investing masses, analysts may have a hard time discovering the next Mexico fast enough to satisfy the demand.

Miles Morland at Lehman Brothers International in London says the intense interest in the developing world's bourses has drastically shortened the time between a new market's discovery and the soaring of stock values as country funds and other buyers pile on. Hence the need to spot trends early. The best indicator: The adoption of liberal economic policies, typically IMF backed, that encourage the return of flight capital and open up the way for foreign investors.

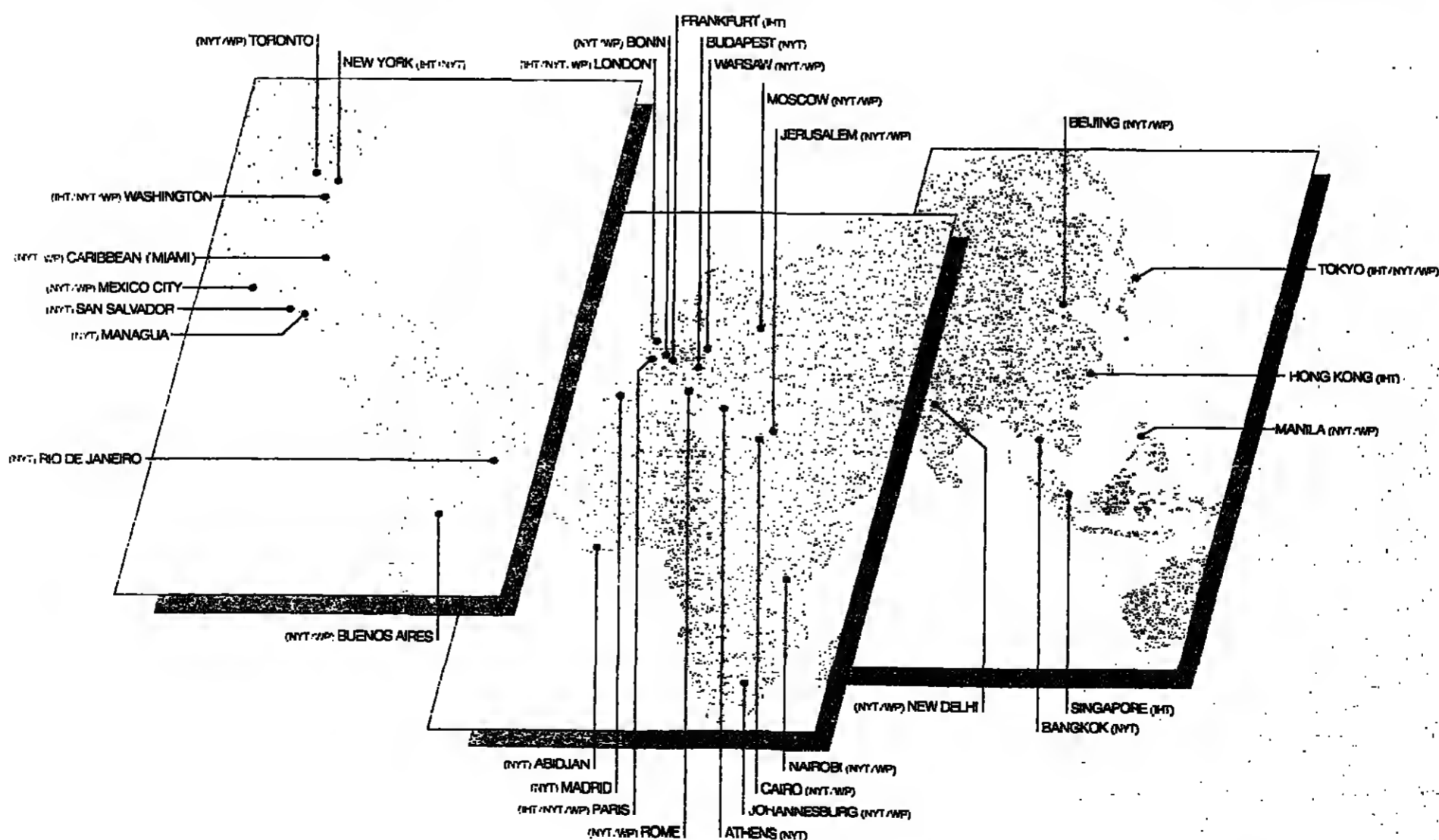
His candidates for the next market to emerge? Colombia, Cyprus, Egypt, Ecuador, Iran, Mauritius, Morocco and Peru. An intriguing collection, and one that points up the added risk that comes with trying to be

very early. Just after Mr. Morland released his list to clients, President Alberto Fujimori suspended Peru's constitution and dissolved the legislature.

Takers Are Few for a Stake in Russian Capitalism

While investment fever remains high for what many hope will be the emerging market of all time — China — market officials in the former Soviet Union are downright pessimistic. The head of the St. Petersburg exchange told Reuters that delays in privatization and rampant inflation had put off the market's early optimism. The price of a seat on the exchange has tumbled to 50,000 rubles — about \$55 at the official exchange rate — from 7 million rubles in November.

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THE MONEY REPORT

A High-Risk Play: Theater

By Philip Crawford

THE glamour associated with Wall Street during the '80s has long fallen by the wayside, a victim of lurid insider trading scandals.

But for those with the will and wherewithal to assume a risk which may dwarf that of even the lowest-grade junk bonds, there's still an investment that can bring both riches and a bit of dazzle: Backing a theatrical production.

Perhaps it was the Mel Brooks film comedy "The Producers," in which two Broadway buffoons sell 25,000 percent of a play to unknown backers, that first warmed the public of theatrical investing's risks.

How does an investor get into the theater fray? The script is similar in London and New York, although the two differ in their accessibility.

In both markets, a producer sells shares, or "units," in a show. Profits initially go toward repaying the producer's original stakes, after which a split arrangement with the producer comes into play.

Small investors can reach the stage more easily in London, where units can be had for as little as £1,000 (\$1,750). In New York, the minimum price is closer to \$25,000, and units generally cost two to five times that much.

One reason for the disparity is a gap in production costs, due partly to strong New York theater unions. In London, the minimum price tag for staging a straight play is about £200,000, with musicals checking in at roughly £1 million and up. The corresponding New York numbers are substantially higher.

"You've got to figure \$500,000 to \$700,000 for a straight play and a minimum of three times that much for a musical," said Karen Goodwin, President of Fifth Avenue Productions, a New York firm that raises money for Broadway shows and produces plays itself.

Assuming an investor has the funds and the inclination, backing a play can be as easy as buying into a mutual fund.

"The best thing to do is simply to call the producers," said Nick Salmon, chief executive of the Theater Investment Fund in London. "But considering the risk involved, it's usually a good idea to pool resources and spread your risk. Perhaps raise, say, £10,000 between three investors, and spread that over 5 to 10 shows."

Much the same approach is advised by New York professionals, who add that rarely has a producer turned away someone holding a sack of money.

Indeed, excluding star-quality impresarios such as Mr. Mackintosh and Andrew Lloyd Webber, the composer who teamed up with Mr. Mackintosh on both "Cats" and "Phantom of the Opera," it's the producers who have the harder time finding investors rather than the other way around.

In London, for example, where advertising or mail solicitation for theatrical investment are prohibited by law, producers often turn for help to a trade association, the Society of West End Theater. The society keeps a confidential list of "angels," or frequent theater investors.

In New York, where advertising for theatrical investment is also illegal, state securities laws prevent producers from selling units to more than 35 investors without a mandatory review of the entire project by the state Attorney General's office.

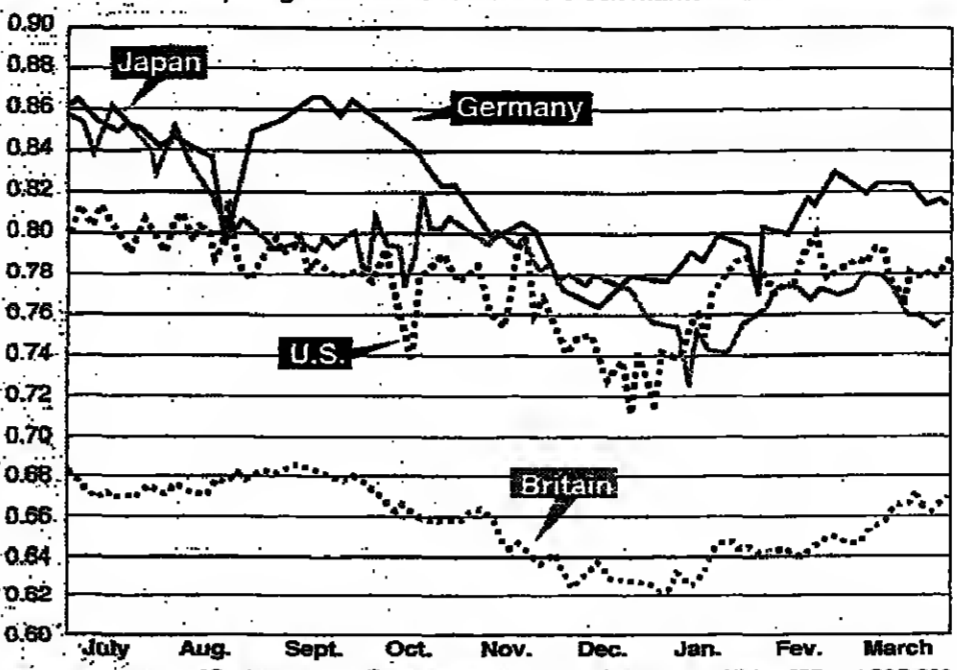
What's more, those 35 investors must be "accredited," or possessing an affluent level of income or assets.

"Sometimes you feel like you have to spend half of your capitalization just to pay all the lawyers a major New York producer," said Rocco Landesman, a major New York theater producer.

As with any possible investment, however, the bottom-line question is whether you take the plunge or not, and temptation undeniably calls from the theater. A £1,000 investment in "Cats," which opened in London 11 years ago, to date has paid back £22,300, or about 200 percent a year, according to a spokesman for Mr. Lloyd Webber's company, The Really Useful Group.

Recovery Stocks Start to Rebound

Performance of capital goods stocks relative to stock market indices.



Source: Datastream. *Capital goods indices vs. the DAX, FT-All Share index, Nikkei 225 and S&P 500. Increased Herald Tribune

Getting Choosy With Cyclical

By Rupert Bruce

WITH A U.S. economic upturn back on investors' radar screens, classic recovery plays have been among the stock market leaders so far this year.

Most analysts see more room for growth among stocks whose fortunes swing with the economic cycle, like auto and machinery makers and homebuilders.

"You have to buy cyclical industries where you have seen a shrinkage of capacity or a reasonably tight supply and demand," said David C. Roche, director of global strategy at Morgan Stanley International in London.

Mr. Roche believes the reasons for buying cyclical stocks go deeper than timing the mere onset of recovery. Cyclical stocks are as cheap as they have been in 10 years when compared with consumer growth stocks like pharmaceuticals, he contends.

Both in the United States and Europe, investors have been buying cyclical stocks for some time. There was a false dawn in cyclical last spring, when many investors got burned as early signs of recovery proved elusive.

Carolyn Moses, head of research at Lehman Brothers International, said recent data have been encouraging, but the market needs to see more convincing figures and the beginnings of a rise in corporate earnings to justify a renewed spurt in cyclical stocks.

There is a bit of a catch up for the real economic statistics to do, and that has to work through to the companies before the market can take it up another wave," she said.

Lehman Brothers, which has been recommending Phelps Dodge Corp. because it supplies copper to the U.S. housing industry, has added RTZ Corp. to its recommended list but the same reason. The mining giant continued investing in new mines throughout the 1980s when others reduced their investment.

But even Lehman Brothers' other cyclical recommendations are some of the more obvious beneficiaries of any revival in consumer spending, including appliance-maker Whirlpool Corp. and Liz Claiborne Inc., the women's clothing maker.

At County NatWest, John Reynolds, the global market strategist, is looking outside the ranks of classic cyclical to banks such as BankAmerica. "Short-term rates have fallen but the rate which is passed on to the consumer has not."

In Europe, opinions are divided on whether it is time yet to get into cyclical. Clear evidence of recovery anywhere in Europe has yet to emerge. A substantial fall in German interest rates is regarded as the key, but most analysts have pushed back their expectations for reductions until the autumn.

Peter Lion, the global strategist at Smith New Court PLC, does not see Germany reducing its rates until the third or fourth quarter and

thinks that there is no need to rush into the market.

Still, he thinks it is worthwhile to purchase European cyclical stocks with large operations in the United States. He is betting on companies buying equipment to boost their productivity rather than consumer purchasing. "We are looking to play the investment cycle rather than the consumer cycle—things like information technology and some of the plant and equipment stocks," he said.

Political uncertainty in the wake of recent electoral setbacks for several European governments may stall the gains in cyclical stocks, Ms. Moses warns. "My advice is that with these elections in Germany, France and Italy and still a good few months of recession to run you still have a good few months to pick the best cyclical stocks in Europe and you will get them cheaper than they are today," she said.

Mr. Roche thinks the revival of U.S. cyclical will spur on their European rivals almost regardless of recession. "In Europe people will extrapolate the U.S. recovery. People will say we have better balance sheets and will follow."

The last place for investors looking for cyclical stocks is Japan. The Tokyo stock market remains in free fall and analysts generally believe Japan will recover from its economic slowdown even later than Europe.

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Over one month to April 1, 1992

Table with columns: Fund, Domicile, Performance. Lists various mutual funds and their performance over one month.

Over one year to April 1, 1992

Table with columns: Fund, Domicile, Performance. Lists various mutual funds and their performance over one year.

Over five years to April 1, 1992

Table with columns: Fund, Domicile, Performance. Lists various mutual funds and their performance over five years.



It's Been Rough in Diamonds, but Some See an Upturn

By Richard Evans

THE diamond market has had little luster recently as the global economic slowdown has dampened demand while fears that countries such as Russia and Angola might flood the market with new stones have spread gloom in the industry.

Many analysts believe the worst is almost over, though. "I think we will see a healthy recovery in the market in the second half of this year, and a very strong performance in 1993 and 1994," said Michael Spriggs, a mining analyst at S.G. Warburg in London.

The long-awaited rebound is far from a sure thing, however, as diamond sales so far have failed to live up to expectations and recessions in major markets are proving deeper and more prolonged. What's more, the market remains hard for private investors to play.

The De Beers Central Selling Organization, which controls 80 percent of the world's rough, or uncut, diamond sales, sells stones to dealers and manufacturers at 10 sites in London each year. The group, which saw its sales slip a little more than 5 percent in 1991, experienced a steep drop of about 30 percent to

an average of about \$245 million at its sites in January and February. That was a disappointment for a market that had been expecting De Beers to raise diamond prices in the first quarter. Prices have not gone up since March 1990, the longest period ever without an increase.

At De Beers's most recent site in late March, sales were reported to have rebounded modestly to about \$280 million. That was enough to encourage some analysts.

"I believe De Beers has just postponed not canceled its price rise," Mr. Spriggs said. "I'm confident there will be a price increase of 5 to 7.5 percent in the autumn."

Whatever the odds of a price rise, history suggests that prices will not fall even if other hard assets like gold have tumbled. Rough diamond prices never have fallen because De Beers plays the role of market middleman, buying up diamonds when demand is weak and selling when demand picks up.

Expectations for an upturn in the market later this year also reflect the steps De Beers has taken to keep the bulk of sales of rough diamonds under its control.

Over the past 18 months it has signed deals with Angola and Russia and renegotiated old agreements with Australia and Botswana. These countries account for around 30 percent of the 100 million carats produced each year.

Analysts also base their optimism on low levels of diamond inventories and hopes for upturns in the U.S. and Japanese economies, which account for around 70 percent of all retail diamond sales. The latest forecasts from the OECD predict the United States will grow by 2.2 percent this year and 3.8 percent in 1993, while Japan is forecast to grow by 2.4 percent and 3.5 percent, respectively.

"Many manufacturers have run

down their stocks during the recession, so they will need to build them up again as demand surges," Mr. Spriggs said.

But a rebound in demand for rough diamonds does not assure a bright outlook for cut diamonds, the only kind private investors can buy directly. Indeed, despite steadily rising prices, rough stones throughout the 1980s, the indicative price of a one-carat, D-flawless diamond—the top-quality benchmark—has fallen to around \$17,000 recently from a peak of over \$60,000 in 1980, according to Rapaport Diamond Report. Actual selling prices tend to be 20 to 30 percent below Rapaport's indications.

High-quality diamonds are very difficult to value, so they are best bought through reputable brokers. And because of broker fees and the big markup between wholesale and

retail prices, analysts say diamonds are worthwhile only as a long-term hold.

As most analysts think that any price rises in rough stones will not feed through into cut prices until next year, they suggest the best way to invest in diamonds is through De Beers stock.

The company's ADRs have fallen about 25 percent since last November, and are now trading at around \$24. "I'm still recommending them," said John Taylor at James Capel. "De Beers has \$700 million in cash on its balance sheet, no gearing problems" and a new mine coming on stream this year that should produce around 5 million carats a year, he said.

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DAVE BARRY

Mowing 'em Down

MIAMI — When I hear some loudmouth saying that the United States is no longer a world technology leader...

It had an interest in lawn mowers since I was 10 years old and I used to earn money by attempting to mow neighbors' lawns...

wanted, which was for my father to emit a burst of extremely mild profanity. Then the lawn mower...

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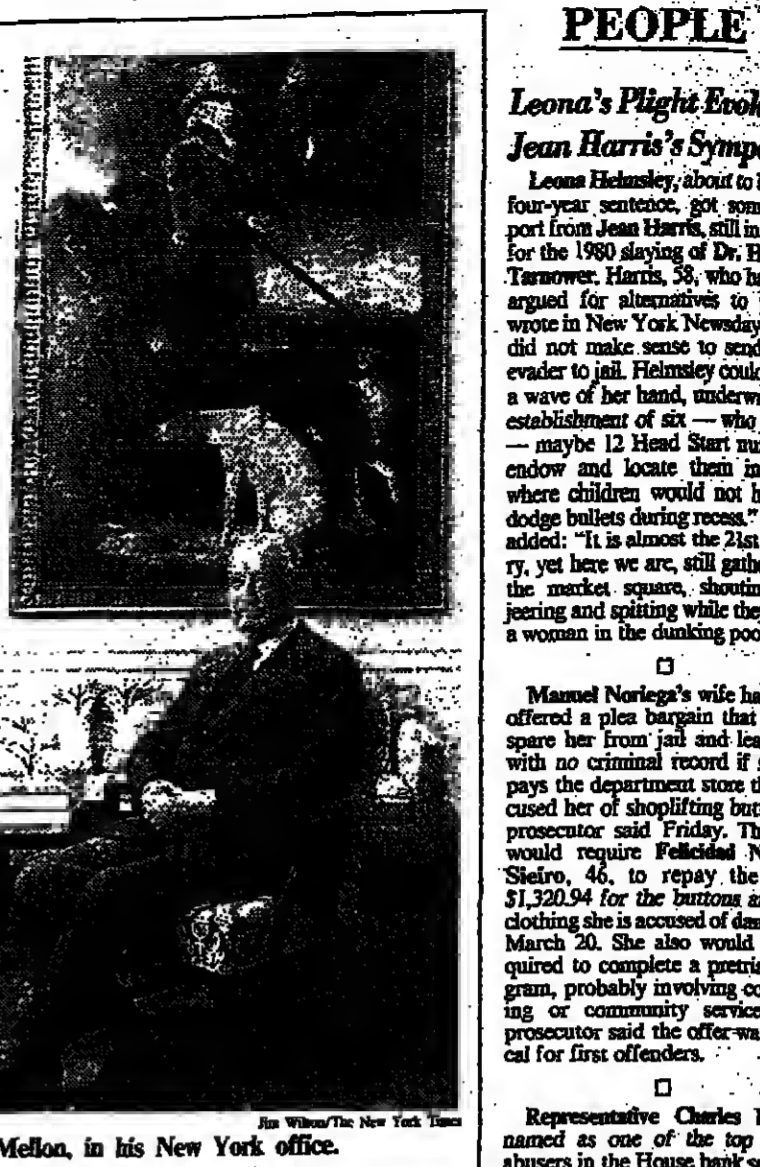
Mellon's Gift for Giving, Or Philanthropy as an Art

By Paul Richard Washington Post Service

WASHINGTON — Paul Mellon of Virginia is the shuhdest philanthropist. There's a dreamy and exquisite tenor to his giving.

The hunches I act upon just seem to rise out of my head like those word balloons in comic strips.

on intuitions. The hunches that I act upon, whether good or bad, just seem to rise out of my head like those word balloons in comic strips.



Paul Mellon, in his New York office.

with the OSS — had been determined. What Mellon loved at 29 — the beauty of the horse, and that of the countryside...

PEOPLE

Leon's Flight Eases Jean Harris's Sympathy Leon Hainsley, about to begin a four-year sentence...

Representative Charles Hayes named as one of the top check abusers in the House bank scandal and a loser in the Illinois Democratic primary election...

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DAVE BARRY

Mowing 'em Down

MIAMI — When I hear some loudmouth saying that the United States is no longer a world technology leader, I look him in the eye and say: "Hey! There's a worm in your shirt!" Then, when he looks down, I spit on the top of his head and sprint away. I'm not about to stand still while somebody looks at the United States, or when Americans are still capable of achievements such as the World's Fastest Lawn Mower.

wanted, which was for my father to emit a burst of extremely mild profanity. Then the lawn mower, knowing that it now had a funny story to tell down at the Lawn Mower Bar, would start. Sometimes, in an effort to earn money, I'd push the stone lawn mower out door and ask Mrs. Reed if she wanted me to mow her lawn. She'd say yes, and I'd yank on the starter thing for a while, then sit down, exhausted and discouraged, and Mrs. Reed, who had been watching from her kitchen, would come out and give me a quarter. It was a living.

Mellon's Gift for Giving, Or Philanthropy as an Art

By Paul Richard

WASHINGTON — Paul Mellon of Virginia is the subtlest philanthropist. There's a dreamy and exquisite tenor to his giving. The public scarcely knows him — though he has dispensed \$611,466,000 of the money that was left him. He has possibly enhanced your life. If you have ever kibitzed at the chess tables in the park that fronts the White House, you have felt his benefactions: He refurbished Lafayette Square. If you have ever consulted the "I Ching," a book he paid to publish, you owe the man a debt. He also paid the bills for the collected works of C. G. Jung, his friend and once his therapist, for Joseph Campbell's "The Hero With a Thousand Faces" and for Kenneth Clark's "The Nude." He bought Sky Meadows State Park for the Commonwealth of Virginia.

'The hunches I act upon just seem to rise out of my head like those word balloons in comic strips.'

on intuitions. The hunches that I act upon, whether good or bad, just seem to rise out of my head like those word balloons in comic strips. At his home in Washington, Mellon, who is 84, seems every inch a gentleman, with the accent on the gentle. He still shakes his martini; he says he likes the sound of ice cubes against silver. The walls are lined with books. Great pictures — by Degas, by Cezanne — are everywhere. He has just published his memoir, "Reflections in a Silver Spoon," and agreed, for the occasion, to speak to a reporter. He says, "I'm probably very lucky, never having had a lot of bright ideas of what would save the world, of what would aid all artists. It is as though I am standing in a flowing stream, and lots of wood is floating by, and I have the ability to pick out a bit of wood I need. Or a bit I like." His likes are vastly varied. He gave \$500,000 for restoring Monticello, and \$1 million for preserving monuments in Britain. To Yale he presented both his rare and ancient books on alchemy and magic, and his grandest benefaction, the Center for British Art, designed by Louis I. Kahn and filled with 10,000 of Mellon's old English pictures. And then there is, of course, the Washington museum founded by his father, the National Gallery of Art. Andrew Mellon, his son once complained, regarded the museum as "just one more investment . . . one more prop for the scaffolding which holds up my gigantic, intensive, mysterious ego." The son gave the museum — its spaciousness, its grace, its blend of scholarship and kindness. To date he has donated more than \$143 million, most of it in cash, some in superb paintings, to the museum.



Paul Mellon, in his New York office.

Manuel Novig's wife has been offered a plea bargain that would spare her from jail and leave her with no criminal record if she repays the department store that accused her of shoplifting buttons. A prosecutor said Friday that she would require Felicidad Novig Steiro, 46, to replace the store's \$1,320.94 for the buttons and the clothing she is accused of damaging March 20. She also would be required to complete a pretrial program, probably involving counseling or community service. The prosecutor said the offer was typical for first offenders. Representative Charles Hayes, named as one of the top check abusers in the House bank scandal and a loser in the Illinois Democratic primary election, was the butt of a parody newspaper ad. Roll Call, a semi-weekly newspaper, ran an ad promoting a "movie" called "Russ," supposedly directed by Oliver Stone. The name refers to Jack Russ, the former House sergeant-at-arms who ran the bank and who was forced to resign last month. At the top of the ad is a quote attributed to Hayes: "I literally knocked me out of my seat!" Hayes said it was "insulting," said an aide. Stacy Mason, executive editor of Roll Call, suggested Hayes' office should lighten up. "It's a parody. Everyone knows it's in good fun," she said. Anita Hill will moderate a national forum at the University of Oklahoma on racial and sexual harassment in the workplace.

PEOPLE

Leona's Plight Evokes Jean Harris's Sympathy

Leona Helmsley, about to begin a four-year sentence, got some support from Jean Harris, still in prison for the 1980 slaying of Dr. Herman Tarnower. Harris, 58, who has long argued for alternatives to prison, wrote in New York Newsday that it did not make sense to send a tax evader to jail. Helmsley could "with a wave of her hand, underwrite the establishment of six — who knows — maybe 12 Head Start nurseries; endow and locate them in areas where children would not have to dodge bullets during recess." Harris added: "It is almost the 21st century, yet here we are, still gathered in the market square, shouting and jeering and spitting while they strap a woman in the dunking pool."

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PERSONALS

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